

**Shrewsbury's Electric Light Plant
and
Shrewsbury's Community Cablevision**

Commissioners

Clifford T. Jefferson, Jr. Chairman

Stanley L. Davis

Robert F. Lutz

June K. Tomaiolo (Resigned effective 6.30.2003)

Patricia Lyons-Gallo (New term beginning 7.1.2003)

Anthony M. Trippi

Management Staff

Thomas R. Josie, General Manager

Michael Quitadamo, Manager, Finance

Wayne Cullen, Manager, CATV Technical Operations

Thomas E. Desilets, Marketing Manager, Energy and CATV Services

Ralph Iaccarino, Manager, Engineering

Robert Pine, Manager, Light Plant Operations

John Terrasi, Manager, Customer Service, Information Systems

SHREWSBURY'S ELECTRIC LIGHT PLANT & SHREWSBURY'S COMMUNITY CABLEVISION

EXECUTIVE SUMMARY

The 2003 Shrewsbury's Electric Light Plant (SELP) and Shrewsbury's Community Cablevision (SCC) Annual Report provides information on programs, services, projects, and budgets. The cable side of the business saw steady growth as more customers bought both our high-speed Internet and Digital Cable services. SCC added a T-3 line to meet the bandwidth needs of a growing Internet customer base. A new Internet service ("Direct Connect") saw tremendous growth since it was launched to attract customers away from competitors offering dial-up services.

The cable television business also saw customers buying new services including High-Definition Television (HDTV) and Personal Video Recorder (PVR) services. In fact, Shrewsbury Cable was the first cable company in Massachusetts to launch HDTV service.

Shrewsbury Electric continued its job of providing electric services at competitive rates. This involved being aware of and taking advantage of opportunities to negotiate the best power contracts possible. Shrewsbury Electric also implemented a program to replace overhead electric conductors to improve the reliability of the electric system.

Shrewsbury Electric also offered customers an energy conservation program through which they could purchase Energy Star washing machines and get rebates on their purchase. Another program allowed customers to purchase low-cost energy efficient bulbs as well as light fixtures at SPAG's.

MUNICIPAL OWNERSHIP BENEFITS - SELP/SCC

Shrewsbury Light and Cable customers typically enjoy rates competitive with or lower than those paid by residents in surrounding towns. That tradition continued in 2003.

Following is a snapshot of the financial benefits the town realizes by owning and operating its own Electric and Cable companies.

FINANCIAL BENEFITS OF MUNICIPAL OWNERSHIP - ELECTRIC

During 2003, municipal ownership of the electric system provided the following benefits:

\$118,531	direct cash payment in lieu of taxes (although SELP is tax exempt, the Light Commission votes annually to make this payment to the Town)
\$136,049	interest income from Light Plant operating cash and depreciation funds (SELP elects to give this income from the depreciation fund to the Town)
\$55,006	reduced electric rates for all Town buildings (unlike the policy followed by investor-owned utilities, SELP discounts its commercial rate for Town buildings)
\$172, 855	reduced street lighting rates (SELP charges the Town for street lighting at a rate below that available to area towns served by privately-owned electric systems)
\$87,600	Town Hall additions for Town-wide use
<u>\$10,921</u>	Light Plant labor used for other town functions
\$580, 962	Total 2003 contribution by SELP to the Town

FINANCIAL BENEFITS OF MUNICIPAL OWNERSHIP - CABLE

During 2003, municipal ownership of the cable system provided the following benefits:

\$334,056	direct cash payment in lieu of taxes
\$28,188	interest income from CATV operating cash
\$104,400	in use of CATV institutional network for transfer of computer data, voice and Internet between town buildings, including schools and police
<u>\$25,920</u>	in service provided to Town and Schools for Internet services
\$492,564	Total 2003 Contribution to the Town by SCC

Total SELP/SCC 2003 contributions to the Town: \$1,073,526

Comparing the Value of Shrewsbury's Rates with the Competition

Shrewsbury's rates for electric and cable services are less than what customers in neighboring communities pay for like services. Below are total amounts of the rate savings Shrewsbury residents and customers realize.

Electric Rates

In comparing electric rates, residential customers in Shrewsbury pay

\$1,957,000 less for electric services annually

Cable Rates

In comparing aggregate amounts for cable rates, residential customers in Shrewsbury pay

\$2,633,000 less for cable services annually

Total Combined Savings for Electric and Cable Services

\$4,590,000

THE 95th YEAR OF SHREWSBURY'S ELECTRIC LIGHT PLANT OPERATIONS

THE POWER OF LOCAL CONTROL

The processes involved in providing a stable and competitive rate structure are impacted by fluctuations in market conditions related to energy costs, the transmission of energy to Shrewsbury and the electric distribution provided by SELP to residential and business customers.

Operating Results

The Electric operating revenue for 2003 was \$25,942,049 compared to \$25,204,396 in 2001. 2003 operating expenses, excluding depreciation, was \$23,043,812 compared to 2001 expenses of \$23,447,058. The decrease in expenses was partly due to an opportunity to sell excess electric energy on the wholesale market. **Net income** was \$1,748,669 in 2003 compared with \$731,156 in 2001.

Managing the Power Supply

SELP maintains a close relationship with the Massachusetts Municipal Wholesale Electric Company (MMWEC) to control power costs by purchasing an aggregated power supply with other municipal electric companies. This helps save money and reduce risks of an adverse impact due to energy cost hikes. SELP takes advantage of all opportunities it can to maximize opportunities to benefit Shrewsbury's customers.

SELP Diesel Generators bring Revenue to Town

When the market price of electric energy is high SELP uses its diesel generators to produce energy and then sell its excess energy in the spot wholesale market. Selling this excess capacity brings revenue to SELP.

New York Power Supply Source Reduced

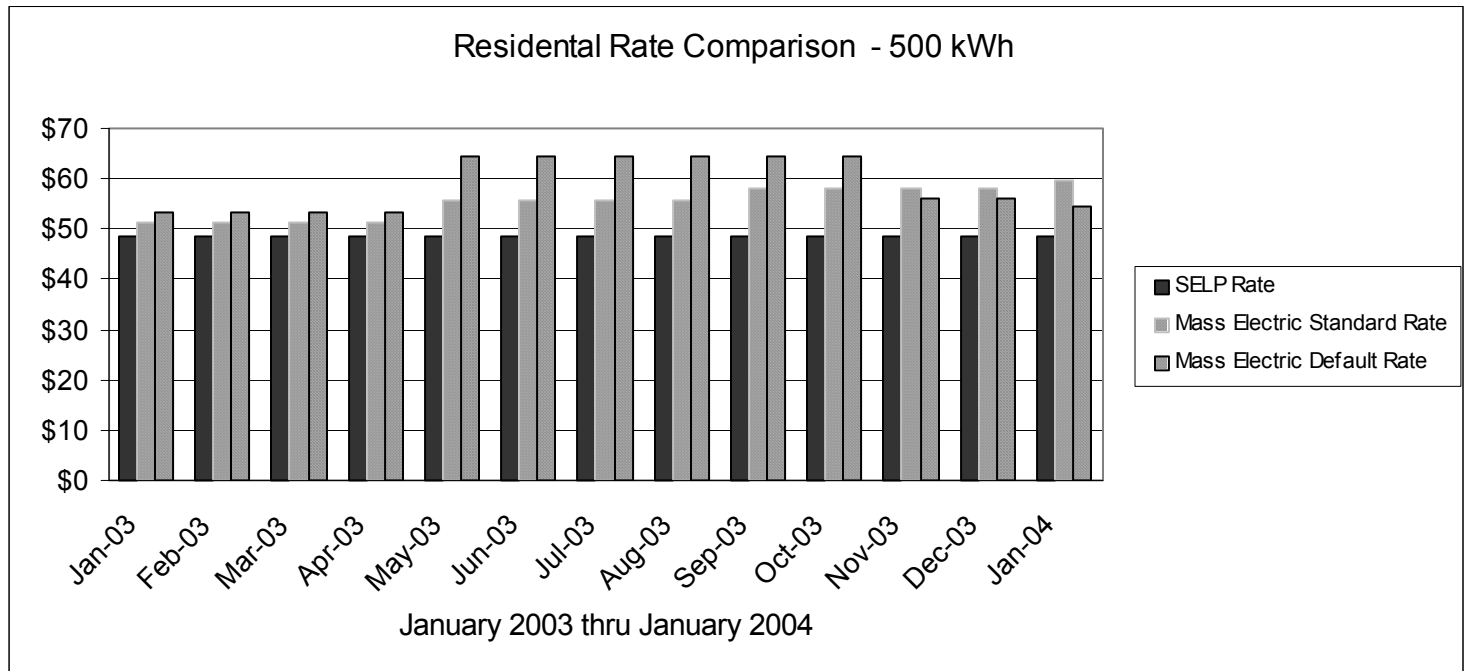
SELP receives its power supply from various sources within New England and New York. However, the New York Power Authority (NYPA) has reduced the power allocation it provides SELP and other Massachusetts municipal electric companies. The municipal electric companies as a group have challenged the NYPA decision at the Federal Energy Regulatory Commission (FERC). A protracted administrative process is likely to follow. This may ultimately impact SELP and other municipal electric systems in terms of increased energy costs leading to increased electric rates.

Stony Brook

SELP continues to receive energy from the MMWEC-owned Stony Brook dual fuel (gas and oil) facility in Ludlow. This energy source is currently a valued commodity in the marketplace.

SELP rates Competitive

SELP prides itself on responding to the marketplace and providing customers with the lowest rates possible. See chart below for comparison of SELP and Mass Electric rates for 2003.



System Reliability – Comprehensive Review and Preventative Maintenance

SELP works to minimize outages and maximize the response by its line crews when a power outage may occur. SELP works hard to maintain the integrity of the system and also relies on a thorough tree-trimming program to reduce the possibility of tree limb damage to lines. Outage statistics are one measurement of reliability of service. Shrewsbury customers experienced an average of 45 minutes of interrupted service in 2003 compared to 51 minutes in 2002. Since 1985, the average outage per customer per year has been 79 minutes.

Energy Sales

SELP's 2003 energy sales amounted to 298,667,742 kWh a 1.5 percent increase over 2002. Although there is some growth in Electric sales due to new homes and businesses, some of this growth was offset by gradual closing of the HP Industrial building on South Street. The 2003 winter-peak system load was 55,513 kW, up from 55,019 kW in 2002. The 2003 summer peak load was 59,569 kW, down from 61,410 kW in 2002. SELP continues its "Beat the Peak" program to help manage system peaks by putting energy alert messages on cable channels 15 and 26. The messages ask customers to shut off non-essential electric appliances during peak periods. This conservation effort can directly affect SELP's need to purchase increased power supplies. SELP

appreciates customer efforts in the "Beat the Peak" program.

Peak loads are also managed with the help of customers who agree to have their electric water heaters controlled at peak times through SELP/SCC's CATV system. Customers receive a discounted rate for allowing SELP to manage the electric water peaking load. Under this system a cable connection controller turns off the electric water heater for brief periods of time when a peak load situation arises.

Francis Paika, Jr., Manager Engineering

Fran Paika served Shrewsbury Electric for 30 years as engineering manager. He also was in charge of computer services. Shrewsbury Electric is grateful for his hard work, dedication and accomplishments during his long career.

Shrewsbury Electric's SCADA System (Supervisory Control And Data Acquisition)

SCADA refers to a combination of telemetry and data acquisition. It consists of collecting information, transferring it back to a central site, carrying out necessary analysis and control, and then displaying this data on a number of operator screens. The SCADA system is used to monitor and control a plant or equipment. Control may be automatic or can be initiated by operator commands

In Shrewsbury, the SCADA system allows Shrewsbury Electric to remotely access and collect data from a distribution feeder (supply lines from substation to a neighborhood) to help determine when the electric system may be reaching its maximum capacity. This system helps ensure system reliability.

Energy Efficient Light Bulbs

Customers were able to buy energy efficient light bulbs at \$1 per bulb at the annual Shrewsbury Fall Festival on the Town Common in September. Customers also were able to buy low-cost energy bulbs and assorted light fixtures as part of an energy conservation program held at Spag's.

Surge Protection Service

Shrewsbury Light and Cable offered a solution to help safeguard important electronics equipment in the home from the risk of lightning strikes with the Powermax® 8 Coax surge protector manufactured by Panamax.

The Powermax helps protect valuable equipment, including DVDs, stereos, TVs and computers from electrical surges that may occur through the electrical system. The surge protector costs \$32.95 (including tax).

The cost also includes a manufacturer's \$100,000 insurance policy to cover equipment damage due to a power surge. Any potential claims would be filed with the surge protector manufacturer. Electric utilities are not liable for the loss or damage to equipment caused by Lightning strikes.

Surge protectors can be purchased over the counter at the Light and Cable office at 100 Maple Avenue.

Billing System

Work was completed on upgrading and combining the Light and Cable billing systems. The new system provided customers with one bill for any and all services including electric, cable, Digital Cable and high-speed Internet. New payment options are being considered for implementation in 2004 including payment by credit card, debit card, and over the Internet.

Electric System Upgrades

Following is a list of upgrades and project work done in 2003 by Shrewsbury's Electric Light Plant to meet the Town's energy demands.

Special Project and Goals 2003

- Infra Red Survey Checking hot spots on all our circuits. Hot spots are a sign of loose or weak electrical connections.
- Installed fiber glass standoff brackets on J13-4 circuit for better reliability
- New Underground Residential Distribution (URD) development: Grove Park Lane off of Spring St.
- Installed a 3 phase disconnect switch and pole at 32 Lake St to tie J13-9 & R13-8.
- Installed three (3) 40' poles & nets for the youth baseball field at the Parker Road fields
- Installing flags, banners and Christmas decorations for Town.
- Replaced aging 336 MCM Hendrix cable with 477 MCM Hendrix on Spring St., High St., Cross St., and Hill St. to improve reliability
- Installed 3 phase 13.8 kv line up Oak St from Route 9 and a 750 kva pad mount transformer to serve the old high school being renovated.
- Build 3 phase line at pole 35-6 Memorial Dr for new office/industrial buildings.
- Build 3 phase line at pole 86 Main St for new building
- Build 3 phase line pole 122 Boston Tpke for new Wagner Motors

- Build 3 phase line to Boston Carpet Route 9
- Build 3 phase line to J.D. Sports Bar Route 20 and remove old one.
- Build 3 phase line Walnut St to Route 20 for Sewer Pump Station.
- Installed 5,000 electronic meters for automated meter reading.
- Finished building new CATV garage at Service Area
- Replaced 12 poles due to vehicle accidents throughout the year
- Replaced approximately 60 street light heads on our ramps (on and off I 290)

Community Outreach

SELP was involved in numerous community support programs throughout the year:

- Shrewsbury Light and Cable participated in the 7th annual **Spirit of Shrewsbury Festival** in conjunction with its celebration of Public Power Week. Adults and children visited the SELP/SCC display area on the Town Common for information on light, cable, Internet and long-distance services. There were also low-cost energy efficient light bulbs for sale, a raffle as well as electric safety booklets and a moonwalk for the kids.
- SELP sponsored its ninth annual "**Share the Warmth**" program that resulted in \$6,578 in customer donations to help Shrewsbury families having difficulty paying bills for heat, light and hot water service during the winter. Customer donations were made in "Share the Warmth" envelopes sent in their electric/cablevision bills. SELP wants to thank all those who participated in the program.
- SELP sponsored the **Santa's Toy Chest** campaign and the response once again was very strong. Thanks to all who donated toys to help needy Shrewsbury children have a brighter Christmas. \
- The **4th Grade Open House** was held on Thursday, May 6 from 8 a.m. to 3 p.m. Close to 500 students visited the Service Area for a fun day of learning about electricity. Service Area and Cable employees contributed to another successful event. Photos from the event ran in two local newspapers.

THE 20th YEAR OF SHREWSBURY'S COMMUNITY CABLEVISION OPERATIONS

Cable Upgrade Brings New Services

SCC's continues its mission to remain competitive in providing new programs and services at competitive

prices while providing a financial return to the town. There was steady subscriber growth in 2003 as more customers bought high-speed Internet and Digital Cable services. SCC added a T-3 line to meet bandwidth needs of a growing Internet customer base. A new Internet service (“Direct Connect”) was launched to attract customers away from competitors offering dial-up services. This new service proved to be a popular choice for many customers.

On March 10, 2003, The Board of Selectmen, as Issuing Authority of the Town of Shrewsbury, granted a CATV License to Shrewsbury’s Electric Light Plant to operate Shrewsbury’s Community Cablevision for a 10-year period ending March 28, 2013. Every 10 years, a cable television company must apply for and be granted a license from the issuing authority in order to continue operating the cable system.

Shrewsbury Cable’s newer services continued to gain subscribers as more customers signed up for High-Definition Television (HDTV) and Personal Video Recorder (PVR) services. Shrewsbury Cable was the first cable company in Massachusetts to launch HDTV service.

Operating Results

2003 operating revenue, including signal sales and installation charges, was \$6,723,819, a 17% percent increase over the \$5,754,504 in revenue in 2001. This increase is due to steady growth in Internet subscribers and growth in Digital Cable services. Operating expenses, excluding depreciation, for 2003 totaled \$4,334,950 as compared to 2001 expenses of \$3,465,287. 2003 net income was \$1,049,084 compared to net income of \$754,133 in 2001.

CATV business was stable with minimal growth in basic subscribers. Internet subscriptions increased to 3,943 and revenue from the service was \$1,783,279. Digital Cable subscriptions were up to 2,125 by year’s end.

Cable Rate Increase in 2003

Shrewsbury Cable increased rates in 2003, the first rate increase since 2001. The Cable Commission approved a Basic service increase of \$1.00, from \$12.70 to \$13.70. Expanded Basic service was increased by \$3.00 from \$27.55 to \$30.55.

Even after the rate increase, the total monthly cost for Expanded Basic in Shrewsbury was \$18.98 per month less than rates paid for similar levels of service by customers in surrounding communities.

The total monthly cost for a Shrewsbury cable customer paying for Digital Cable was \$42.50, compared to \$65.41 paid for Digital Cable by customers in a neighboring cable system.

High-Speed Internet Access

By the end of 2003, SCC was providing high-speed Internet service to about 5,200 customers. This represents an increase of about 1,350 Internet subscribers from the end of 2002.

Digital Cable Services - More Programming Choices

This level of service offers access to more than 100 Digital Cable channels (this is in addition to the 77 channels available on Analog). The digital cable channel lineup includes 34 Pay-Per-View channels, multiplexes of popular cable premium channels such as HBO, Showtime and Cinemax, 45 CD quality music channels, and a variety of information and programming through 36 digital cable basic networks, including 7 new channels added to the Digital lineup late in the year. Customers can get both the Analog and Digital channels for just \$42.50.

High-Definition TV (HDTV) & Personal Video Recorder (PVR) Services

The latest in premium picture quality arrived when High-Definition Television service was launched in late 2002/early 2003. About 358 customers now subscribe to HDTV service that, for those who have an HDTV television set, provides a “wide-screen” effect along with the highest resolution picture available today. About 100 customers subscribe to our PVR service which gives the customer the ability to control how and when they view programming by being able to pause, rewind, record, fast forward and “instant replay” programming.

Subscriber Count Rises

The number of Shrewsbury’s Community Cablevision subscribers increased from 11,594 at the end of 2002 to 11,789 by the end of 2003. SCC now services about 85 percent of Shrewsbury’s homes, well above the national service average of about 65 percent for cable systems.

Pay-Per-View

Shrewsbury Cable customers had access to 3 Analog and 34 Digital pay-per-view channels where they can select from a wide variety of movies and special events programming.

New Programming Added in 2003

MTV2, MTV Hits, VH1 Classics, Noggin, Nick Toons, and GAS were launched on the Digital Cable lineup in 2003. Also launched on Digital were Fine Living and Fuel. FX and TV Land were launched on Analog.

Video-on-Demand (VOD) & Subscription VOD services in Planning Stages

Work began in preparation for launch of Video-on-Demand service in 2004. Information was received from potential VOD and SVOD (Subscription VOD) vendors seeking pricing and programming information. VOD service will give subscribers greater control over how they view and control their television programming. Customers will be able to access Pay-Per-View movies and other programming at any time of the day they choose. They will also be able to stop, pause, rewind or save the programming for viewing at a later time.

Serving the Community

SCC allows free listings of community events on CH. 15 and sells space for inexpensive paid advertising on the CH. 26. This allows both non-profit organizations and local businesses another way to reach the community.

SCC/Fox Sports New England Scholarship (FSNE)

SCC and FSNE once again partnered to provide two \$500 scholarships to deserving college-bound high school seniors from Shrewsbury.

New Website

SCC reached its goal of upgrading the Town's website to enhance the function, usability and look of the site as an information resource for the town. SCC, which first launched a website in 1995, launched the new site in February 2003. A website administrator was hired to oversee the maintenance and updating of the new site.

Town of Shrewsbury Website Goal Statement

The Town of Shrewsbury's Website will provide a user-friendly site for easy access to information about the Town, its government and the community it serves. Where and when appropriate the site will include interactive capabilities to facilitate ease of use and communication for website visitors. The site will be a vital resource for the Town, employees, residents and other interested parties from inside and outside the community.

CATV OPERATIONS

S.C.C. continues to make improvements to the Headend facility. In 2003, S.C.C. completed the installation of new equipment associated with the launch of 4 new HDTV channels.

S.C.C. also installed new High Speed Data equipment to allow for the growth of 1,677 additional High Speed Data customers.

Upgrades to the Headend's electrical system was completed in 2003, a new service distribution panel, uninterruptible power supply and emergency back-up generator

was installed. The Headend fire detection was upgraded and a new Fire Suppression System was installed.

S.C.C.'s signal distribution system consists of approximately 204 miles of both underground and overhead feeder cables.

The system was expanded by about 2 miles in 2003 to cover the following residential developments:

Federal Estates	Park Grove Lane
Nobel Oak Estates	Turn Leaf Circle
Orchard Meadow Estates	Marshall Estates
Silver Gate Circle	Tip Pond Circle
Shannon Woods	Bridle Path Estates
South Woods	Colonial Farms II
Turtle Creek	Country Meadows
Boston Hill Estates	James Town Heights
Prospect Hills	Dorthea Estates
Stony Brook Farms	High Meadows Estates
Thomas Kimble Estates	Holman Heights
Walnut Hill Condos	

Town Center Project

A contractor installed underground conduit for fiber optic cable in the center of Shrewsbury (North, West, East and South) for future use.

REPORT OF THE WIRING INSPECTOR

Thomas O'Connor, Inspector

Elliot Logan, Assistant Inspector

The Electrical Inspector's Office received 1069 requests for inspections during 2003. These consisted of:

121	Rough inspections of new homes
279	Rough inspections of additions and remodels
110	Finish inspections of new homes
154	Finish inspections of additions and remodels
159	New service inspections
48	Service changes
17	Temporary services
154	Fire alarm and Security systems
16	Oil burners and gas
64	Swimming pools
200	Underground conduit installation inspections

Other inspections not listed above include circuits for dryers, air conditioners, electric ramps, electrical heating units, emergency generators, etc.

Approximately 42 inspections were disapproved for various infractions of the Electrical Code. Infractions of the code can occur in all categories, including but not limited to new construction. There have been occasions when certain wiring requirements were not met or completed when the home was ready for occupancy. The Wiring Inspector must give a final inspection and approval prior to the granting of the occupancy permit by the building inspector.

Wiring inspection fees, instituted April 1989, were upgraded April 1, 1993. These fees were established based upon the policy that customers who are receiving a particular service be liable for its costs.